REMARKS

In this Reply, Applicants have amended claims 1 and 28. No new matter has been added. Claims 1-15, 28, and 29 are currently under examination.

In the Office Action[1], the Examiner rejected claims 1-5 and 28 under 35 U.S.C. § 101 as being directed to nonstatutory subject matter; rejected claims 1-4, 6-9, and 11-14, 28, and 29 under 35 U.S.C. § 103(a) as being unpatentable over U.S. Patent 5,966,700 to Gould et al.) ("Gould") in view of U.S. Patent No. 7,099,843 to Cassidy et al. ("Cassidy"); and rejected claims 5, 10, and 15 under 35 U.S.C. § 103(a) over Gould in view of Cassidy and further in view of an article by Seiberg entitled "Risk-Indexed Capital Rules Proposed by Global Panel," American Banker, Volume 164, Issue 106, page 1 ("Seiberg").

Rejections under 35 U.S.C. § 101

Claims 1-5 and 28 stand rejected under 35 U.S.C. § 101. Applicants have amended independent method claims 1 and 28 to more clearly recite statutory subject matter. Claims 2-5 depend from amended claim 1. Accordingly, Applicants request that the Examiner withdraw the 35 U.S.C. § 101 rejections of these claims.

Rejections under 35 U.S.C. § 103(a) in view of Gould and Cassidy

In the Office Action ("OA"), the Examiner rejected claims 1-4, 6-9, 11-14, 28 and 29 under 35 U.S.C. § 103(a) as being unpatentable over Gould in view of Cassidy. As explained in detail below, Applicants traverse because the Office Action misinterprets the scope and content of Gould and Cassidy, does not properly ascertain the

[1] To the extent that the Examiner characterized the claims or the teachings of the prior art in the office action, Applicants decline to agree with any such characterizations.

differences between these references and the claims, and provides no reasons as to why the combination of references and the claimed inventions would have been obvious.

"[T]he framework for objective analysis for determining obviousness under 35 U.S.C. 103 is stated in *Graham v. John Deere Co.*, 383 U.S. 1, 148 U.S.P.Q 459 (1966). . . . The factual inquiries . . . [include determining the scope and content of the prior art and] . . . [a]scertaining the differences between the claimed invention and the prior art." M.P.E.P. at § 2141(II). "Office personnel must explain why the difference(s) between the prior art and the claimed invention would have been obvious to one of ordinary skill in the art." Id. at § 2141(III).

Independent claim 1 recites a method . . . for reducing capital required to be held in connection with a subject pool of loans that includes "**applying . . . capital reserve requirements to the subject pool** based on the credit risk rating and the credit risk allocated to a party subject to the capital reserve requirements for loans in the subject pool; [and] calculating, . . . an amount of capital to hold against the subject pool **based on application of the capital reserve requirements**," among other things. (Emphasis added). Contrary to the Office Action's assertions, neither Gould nor Cassidy teach or suggest at least these elements. "All words in a claim must be considered in judging the patentability of that claim against the prior art." Id. at § 2143.03.

The Office Action contends that Gould teaches the above-quoted elements of claim 1. OA at 3. This contention is based on a factual misinterpretation of the scope and content of the Gould reference. In particular, Gould teaches using a contract to divide the responsibility for guaranteeing against mortgage pool credit losses between a

mortgage originator (e.g., a bank) and a mortgage funding institution (e.g., a Federal Home Loan Bank). (Abstract, col. 2, lines 21-30; col. 3, lines 29-54). In the Gould system, a mortgage originator and a funding institution enter into a contract, called a master commitment agreement, that assigns responsibility between the mortgage originator and the funding institution for different portions of the credit losses for a pool of mortgages funded by the funding institution and originated by the originator. (Col 2, lines 36-40; col. 3, line 39 - col. 4, line 24; col. 5, lines 46-50). Later, the exact loans included in the pool covered by the master commitment agreement are specified in a delivery commitment agreement, which is a contract between the funding institution and the mortgage originator that defines the note rates, agent fees, closing time interval, product type, total dollar amount, and other terms pertaining to the funding of certain individual or groups of mortgages. (Col. 4, lines 18-24). Gould calls this contractual arrangement for the mortgage originator to guarantee that it will pay loan credit losses under certain circumstances a “credit enhancement.” (Col. 3, lines 43-45).

Under the credit enhancement arrangement, an owner of an interest in the mortgage pool receives payments from either the originator or the funding institution to replace credit losses that the owner would otherwise experience if the mortgage pool were not guaranteed according to the master commitment agreement. (Col. 3, line 55 - col. 4, line 2). For example, the mortgage funding institution may make payments compensating for the first $500,000 of credit losses in the mortgage pool from a “spread account” set up by the funding institution, the mortgage originator may make payments compensating for any credit losses over $500,000 and up to $1,000,000, and the mortgage funding institution may make payments compensating for any losses over

$1,000,000. (Col. 3, line 55 - col. 4, line 2). Any such credit loss payments go to the owner(s) of an interest in the mortgage pool from the party (mortgage originator or mortgage funding institution) determined by the terms of the master commitment agreement and delivery commitment agreement. (*Id.*).

The Office Action contends that Gould's "credit enhancement amount" at column 3, lines 40-44 teaches "**applying . . . capital reserve requirements to the subject pool** based on the credit risk rating and the credit risk allocated to a party subject to the capital reserve requirements for loans in the subject pool," as recited in claim 1. OA at 3. This is a misinterpretation of the scope and content of Gould because the "credit enhancement amount" is a contractually defined "maximum amount of credit losses for which the mortgage originator is required to reimburse the funding institution for the pool of mortgages." (Col. 4, lines 14-17; col. 3, line 55 - col. 4, line 2). Thus, Gould's credit enhancement amount is a contingent contractual obligation to pay for possible future credit losses, not a requirement to hold a specified amount of capital in reserve. Moreover, Gould contains no teachings related to "applying" capital reserve requirements.

The Office Action also contends that Gould's "spread account" at column 3, lines 57-61 teaches "holding an amount of capital against the subject pool **based on application of the capital reserve requirements**," as recited in claim 1, before amendment. OA at 3. This is another misinterpretation of the scope and content of Gould because the "spread account" is an account set up by the funding institution to hold an "amount which approximates the mortgage pool's expected loss performance which is the expected loss due to foreclosures over the pool's life . . . . The spread

account is used to fund initial losses from the mortgage pool." (Col. 3, lines 55-66). Thus, Gould's spread account is the funding institution's equivalent to the mortgage originator's credit enhancement amount; it is a contingent contractual obligation to pay for possible future credit losses, not a requirement to hold a specified amount of capital in reserve. Moreover, Gould contains no teachings relating to "holding" or "calculating" an amount of capital based on capital reserve requirements. In fact, Gould's sole disclosure related to capital reserve requirements teaches away from the invention of claim 1 because it notes that an originator may sell loans on the secondary market, which will reduce the originator's capital reserve requirements because it will no longer own the loan asset. (Col. 1, lines 26-53).

Cassidy does not cure the deficiencies of Gould, and in fact contains no mention whatsoever of capital reserve requirements.

For at least the foregoing reasons, the Office Action misinterprets the scope and contents of Gould and Cassidy, and consequently fails to ascertain the sizable differences between these references and claim 1, as amended. Accordingly, the Office Action fails to establish a prima facie case of obviousness with respect to claim 1.

Furthermore, the Office Action fails to establish a prima facie case of obviousness with respect to claim 1 because it provides no reasons as to why it would have been obvious for one of ordinary skill to have combined Gould with Cassidy to result in the claimed invention.

"The key to supporting any rejection under 35 U.S.C. 103 is the clear articulation of the reason(s) why the claimed invention would have been obvious. . . . [R]ejections on obviousness cannot be sustained with mere conclusory statements."

M.P.E.P. § 2142, 8th Ed., Rev. 6 (Sept. 2007) (internal citation and inner quotation omitted).

Regarding combining Gould and Cassidy, the Office Action states "It would have been obvious to one of ordinary skill in the art at the time of the invention to incorporate [the reference pool comparison] feature [of Cassidy] into the method of Gould et al. One of ordinary skill in the art would have recognized that applying the technique of Cassidy et al. would have yielded predictable results." OA at 3-4; OA at 5[2]. This is a "mere conclusory statement." There is no logical reasoning, citation to reference teachings, statement of facts, or support whatsoever to provide the required "clear articulation of the reason(s) why the claimed invention would have been obvious." For at least this additional reason, the Office Action fails to establish a prima facie case of obviousness with respect to claim 1.

For at least the foregoing reasons, independent claim 1 is allowable over the cited references. Independent claims 6, 11, 28, and 29, although of different scope, recite features similar to those recited in independent claim 1, and are allowable for at least the same reasons. Dependent claims 2-4, 7-9, and 12-14 (as well as claims 5, 10, and 15) are allowable at least by reason of their dependence from an allowable independent claim, as well as by reason of reciting additional features not taught nor suggested by the cited references. Accordingly, Applicants request that the Examiner withdraw the section 103(a) rejections of claims 1-4, 6-9, 11-14, 28, and 29.

In the Office Action, the Examiner rejected claims 5, 10, and 15 under 35 U.S.C. § 103(a) over Gould in view of Cassidy and further in view of Seiberg. OA at 5-6.

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[2] The Office Action makes the same conclusory statement in the rejection of claims 28 and 29.

Applicants traverse because the Office Action misinterprets the scope and content of the cited references, does not properly ascertain the differences between these references and the claims, and provides no reasons as to why the combination of references and the claimed inventions would have been obvious.

Dependent claims 5, 10, and 15 depend from independent claims 1, 6, and 11, respectively, and thus include all the elements of the independent claims from which they depend. For at least the reasons stated above, the Office Action fails to establish a prima facie case of obviousness with respect to the independent claims because the cited references do not teach or suggest all the elements of independent claims. Consequently, the Office Action also fails to establish a prima facie case obviousness because the cited references do not teach or suggest all the elements of dependent claims 5, 10, and 15, which depend from independent claims 1, 6, and 11, respectively. Accordingly, claims 5, 10, and 15 are allowable at least by virtue of depending from an allowable base claim. Dependent claims 5, 10, and 15 are also allowable by virtue of reciting additional features not taught nor suggested by the cited references. Accordingly, Applicants request that the Examiner withdraw the section 103(a) rejections of claims 5, 10, and 15.

In addition, the Office Action fails to establish a prima facie case of obviousness with respect to claims 5, 10, and 15 because it provides no reasons as to why it would have been obvious for one of ordinary skill to have combined Gould with Cassidy and with Seiberg to result in the claimed invention.

"The key to supporting any rejection under 35 U.S.C. 103 is the clear articulation of the reason(s) why the claimed invention would have been obvious. . . . [R]ejections

on obviousness cannot be sustained with mere conclusory statements." M.P.E.P. § 2142, 8th Ed., Rev. 6 (Sept. 2007) (internal citation and inner quotation omitted).

Regarding combining Gould and Seiberg, the Office Action states "It would have been obvious to one of ordinary skill in the art at the time of the invention to incorporate this feature [of Seiberg] into the method of Gould et al. One of ordinary skill in the art would have recognized that applying the technique of Seiberg. would have yielded predictable results." OA at 6. This is a "mere conclusory statement." There is no logical reasoning, citation to reference teachings, statement of fact, or support whatsoever to provide the required "clear articulation of the reason(s) why the claimed invention would have been obvious." Moreover, this statement from the Office Action does not even mention the Cassidy reference, never mind clearly articulating a reason for combining it with Seiberg or Gould. For at least this additional reason, the Office Action fails to establish a prima facie case of obviousness with respect to claims 5, 10, and 15.

Conclusion

In view of the foregoing amendments and remarks, Applicants respectfully request reconsideration and reexamination of this application and the timely allowance of the pending claims.

Applicants believe that an interview with Applicants' representative (and perhaps some of the inventors) will assist in understanding the invention and expedite the examination of this long-pending application. Accordingly, Applicants invite the

Examiner to contact the undersigned at 571-203-2748 to schedule an interview, and Applicants' representative will endeavor to do the same in the near future.

Please grant any extensions of time required to enter this response and charge any additional required fees to our deposit account 06-0916.

Respectfully submitted,

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